

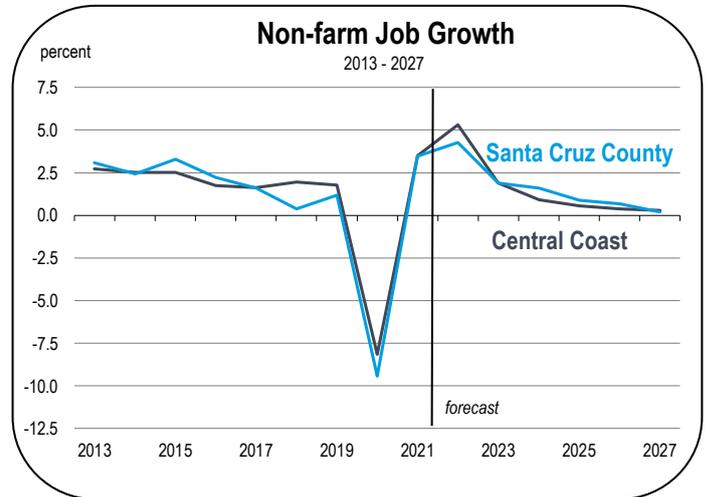
Santa Cruz County Economic Forecast

Forecast Summary

- On an annual average basis, 3,600 non-farm jobs will be restored in Santa Cruz County during 2022.
- A full labor market recovery from the 2020 pandemic recession is expected in 2023.
- Employment gains in 2022 will be largest in state and local government, leisure services, and healthcare.
- UC Santa Cruz is the largest employer in the County with 3,128 faculty, staff, and administrative positions.
- The unemployment rate averaged 6.9 percent in 2021. It is forecast to average 4.3 percent in 2022.
- The Santa Cruz County population is expected to decline over the forecast period.
- The expected rate of homebuilding will remain relatively constant. Approximately the same number of homes will be built over the forecast period as were built during the previous five years.
- Home prices surged in 2021, rising by 22 percent for detached housing, and 11 percent for all home sales. The median selling price is expected to increase by another 10 percent in 2022 though most of that appreciation occurred in the first half of the year.

Job Growth

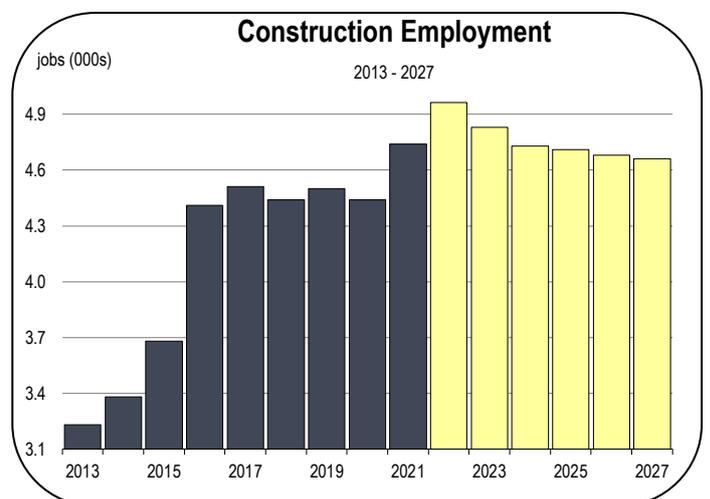
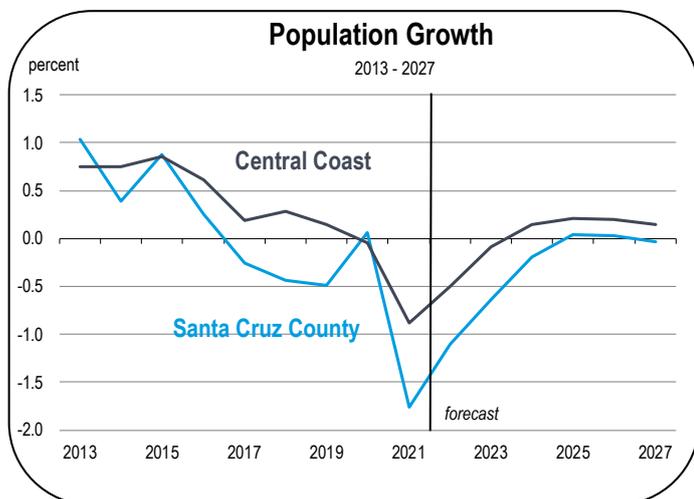
- Total employment growth in Santa Cruz County is on a 3.6 percent pace for calendar 2022, and 2.0 percent in 2023.



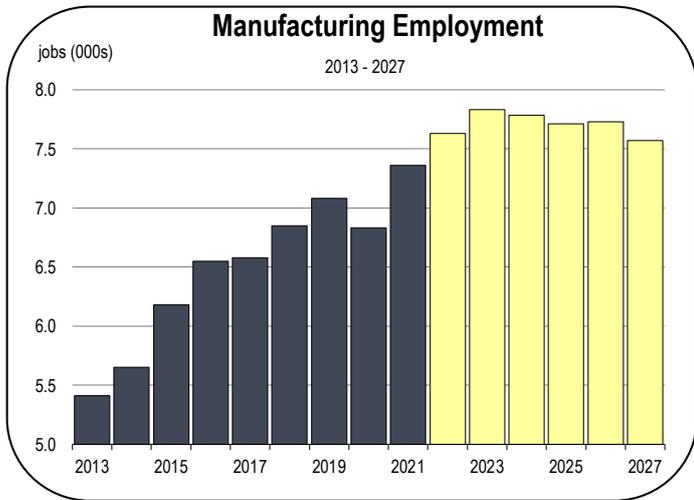
- Between 2022 and 2027, job growth in Santa Cruz County will average 1.5 percent per year.

Construction Employment

- The sector rose by 300 jobs in 2021 and will fill another 220 positions in 2022.
- The expected level of housing production and non-residential construction activity will not require a large expansion of the construction workforce over the forecast.
- The California construction workforce will be fully employed in 2022 and 2023, and hiring additional workers will be a challenge for construction firms.



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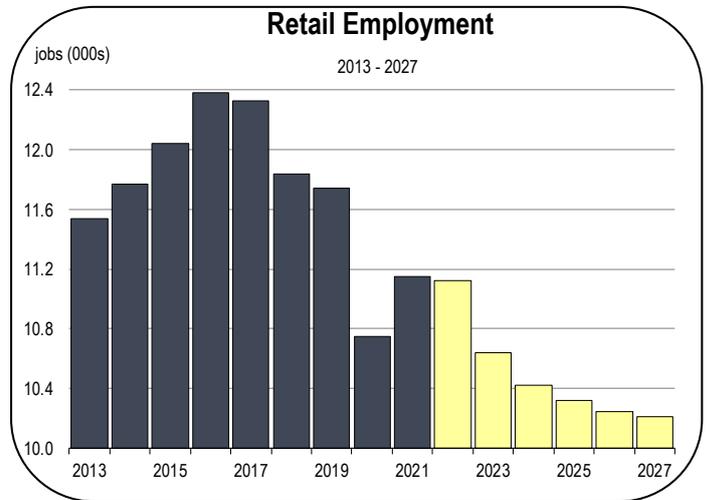
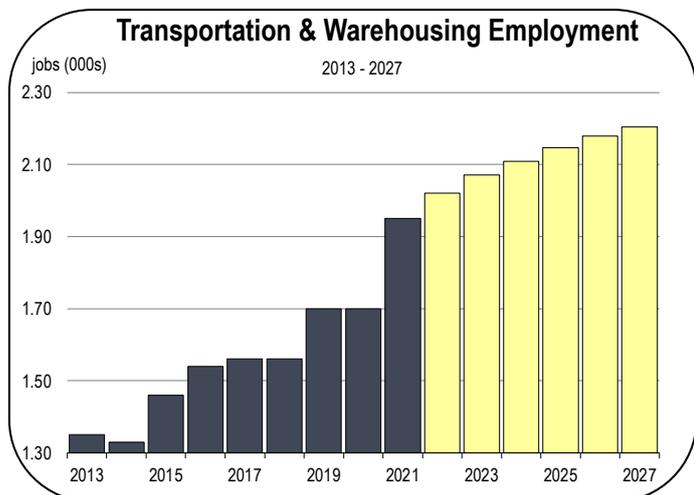


Manufacturing Employment

- More than a quarter of manufacturing jobs in Santa Cruz County are in food and supplement production facilities.
- Food and supplement manufacturing is a growing sector in California. Job creation in Santa Cruz was strong in 2021 and the forecast has food manufacturing adding 200 jobs in 2022.
- One of the largest firms in the county is Santa Cruz Nutritionals, with more than 280 workers at their plant in Santa Cruz.

Transportation and Warehousing Employment

- Most transportation jobs in Santa Cruz County are in trucking and warehousing where firms deliver goods to and from the Port of Oakland, and store these goods in logistics facilities.
- About a third of the industry is in delivery firms like UPS, FedEx, and Instacart.



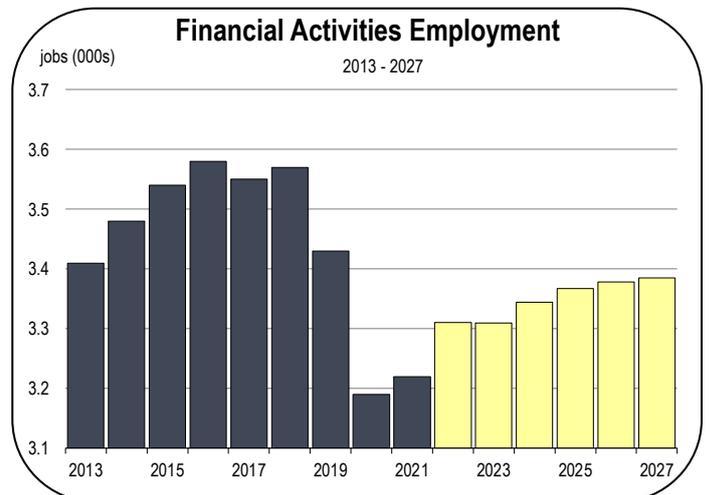
- Because of the strong agricultural base, and food processing sector, the demand for industrial warehousing and distribution facilities has strengthened in 2021 and 2022. The industrial vacancy rate is less than 3.0 percent. Furthermore, the substitution from retail workers to warehouse workers has occurred throughout California.

Retail Trade Employment

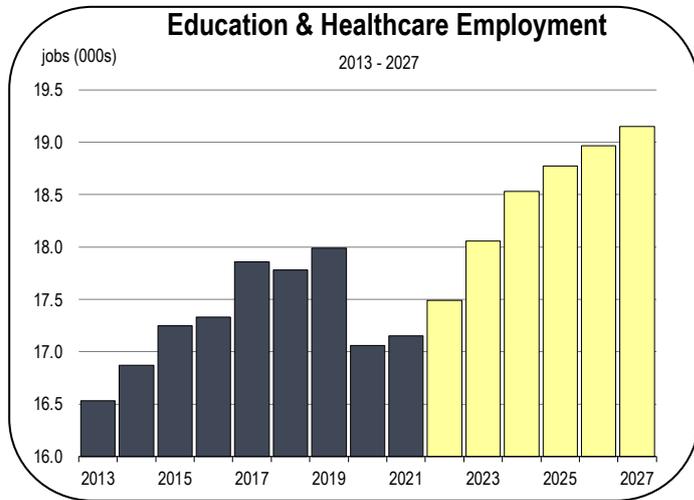
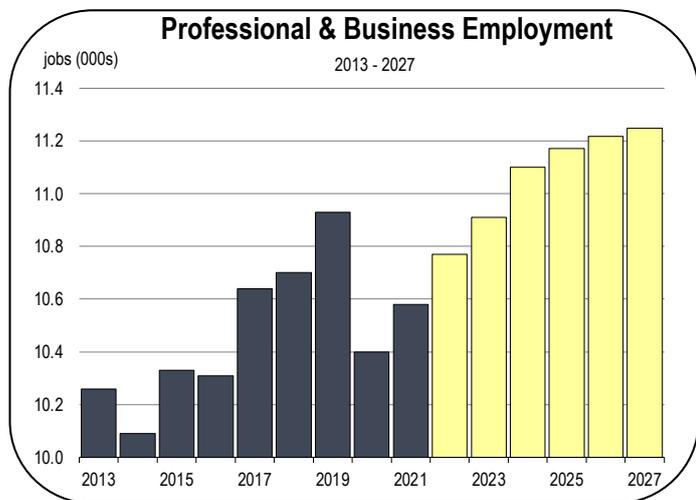
- In 2021, the retail sector recovered 400 jobs lost during the pandemic, but no additional job gains are being observed in 2022.
- Stagnant population growth, the onset of automation, and the transition to online shopping will put employment within physical stores and shops at risk of contraction over time. Consequently, no growth in employment is forecast for the retail sector in Santa Cruz County.

Financial Activities Employment

- The Santa Cruz County financial activities sector is primarily comprised of real estate agencies, insurance firms, and banks.



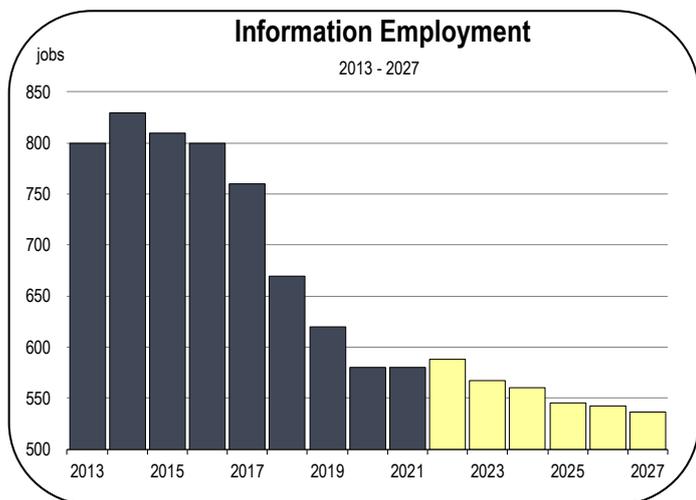
Santa Cruz County Economic Forecast



- Over the forecast period, most growth will be observed in the real estate services industry.
- Employment in banking and in insurance will likely contract over the 2022 to 2027 period.

Professional and Business Services Employment

- The professional and business services added 180 jobs in 2021 and will create 190 jobs in 2022.
- Most office sector jobs have now been recalled back to formal offices. The Santa Cruz County office market is outperforming national and other California markets in utilization. Vacancy rates averaged 7.2 percent in 2022. Information technology and technology consulting will remain as strong subsectors for employment growth over the decade. Annual job growth averages 1.0 percent over the next 5 years.



Information Employment

- The information sector is dominated by movie theatres and telecommunications, including internet provider Comcast Xfinity.
- Automated processes and/or the obsolescence of publishing industries will reduce the demand for workers in telecommunications, ISPs, newspapers, and other print media. Only data processing services will likely see growth over the forecast.

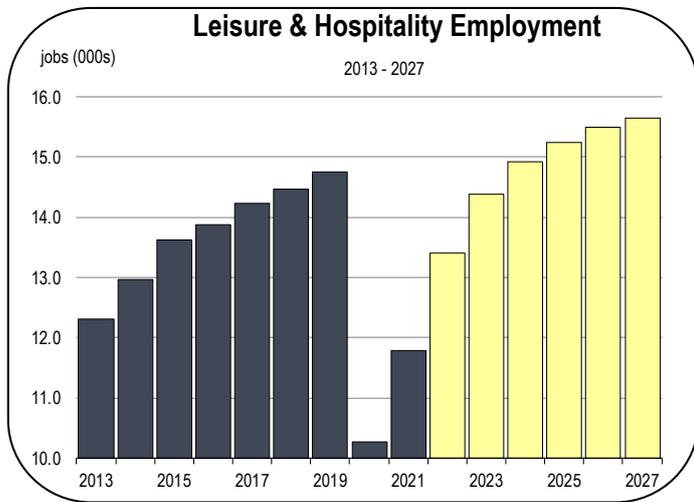
Private Education and Healthcare Employment

- Healthcare employment increased by 340 jobs in 2022, a growth rate of 2.0 percent. The statewide healthcare labor market is struggling to fill empty positions opened up by the pandemic and its aftermath into 2021.
- The consensus forecast for healthcare is for workers to return and job growth to rise over the next several years.
- The largest facility in the county is Dignity Health Dominican Hospital with 222 beds and 1,689 employed personnel.
- The beginning of the \$360 million renovation for the hospital to add a 3-level parking garage and 84,000 new square feet, is underway.
- Other large employers include Santa Cruz Health Center, Audiology Associates Medical Center and Watsonville Community Hospital.

Leisure and Hospitality Employment

- The sector rebounded sharply in 2021 with 1,500 jobs restored, mostly in food services and accommodations. Another 1,000 jobs are expected to be created in 2022.

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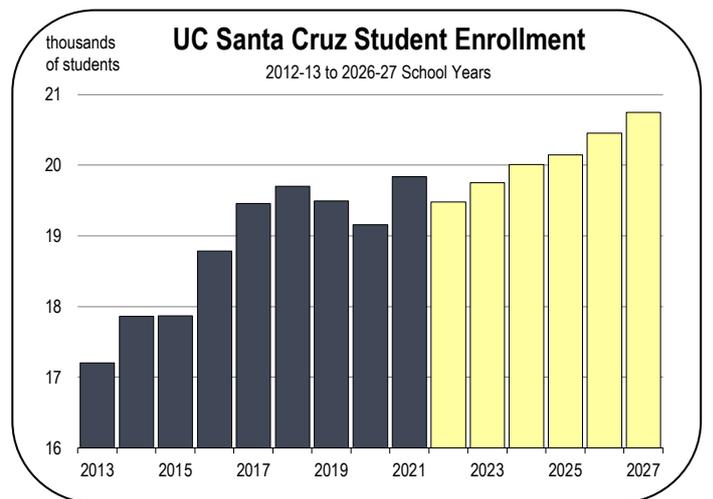
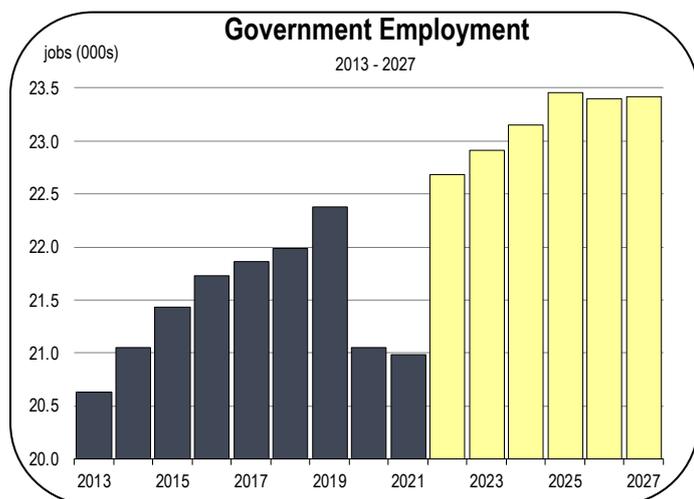
Santa Cruz Beach Boardwalk

- The principal attraction for visitors is the Santa Cruz Beach Boardwalk which features the Gian Dipper wooden roller coaster built in 1924 and now classified as a National Historic Landmark.
- Concessioners lining the boardwalk effectively employ 750 workers in the fall and winter and up to 1,600 people in the summer. The average visitor spends \$115 per day at local businesses in Santa Cruz County.
- California tourism surged in 2021 and continued into 2022. The expected slowdown of the economy in 2023 will likely diminish the pace of visitor travel and spending. Nevertheless, the forecast calls for employment growth of 900 workers in 2023 and 860 in 2024.

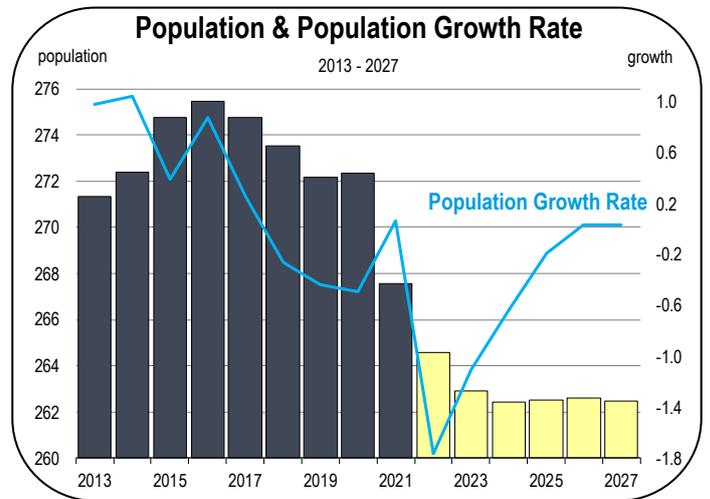
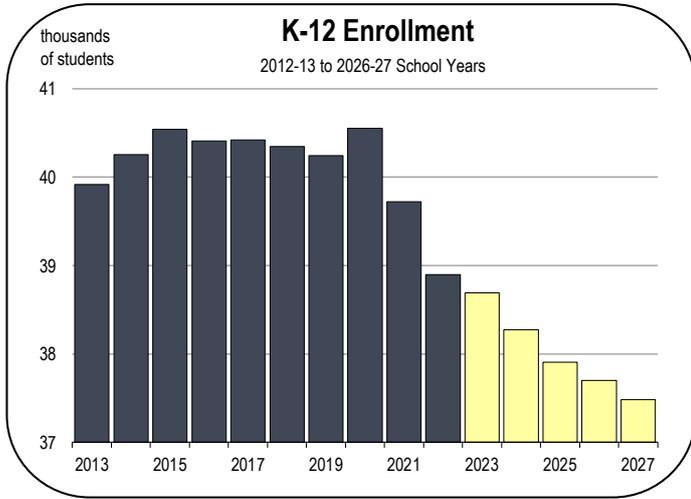
- State and local government agencies will restore 1,500 positions in 2022. Local K-12 education employment reached an all-time record high in October 2022.
- A large share of local government revenue comes from visitor taxes, including taxes on sales at hotels, restaurants, and the Boardwalk.
- UC Santa Cruz is the largest employer in the county, with more than 3,128 full time staff, plus 4,200 part time student workers. Enrollment and funding trends directly shape the outlook for government jobs in Santa Cruz County. Both are expected to increase between 2022 and 2027.
- Enrollment pressures remain high for UC Santa Cruz. The UC admitted 700 fewer students in the Fall of 2022 to slow the growth of enrollment, partly due to the perceived housing crisis that exists within the City of Santa Cruz, and until more student housing can be built.

Government Employment

- In November 2022, 16,000 of 23,000 state and local government jobs were attributed to education, principally UC Santa Cruz and the K-12 school districts. The remaining employment serves the cities, the county, and special districts.



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- While K-12 enrollments are in decline and are not expected to reverse over the forecast, the demographics of California have college age populations rising through 2030. Consequently, demand for enrollment at UC Santa Cruz is expected to remain high over the forecast. This will drive the demand for increased faculty and staff positions.

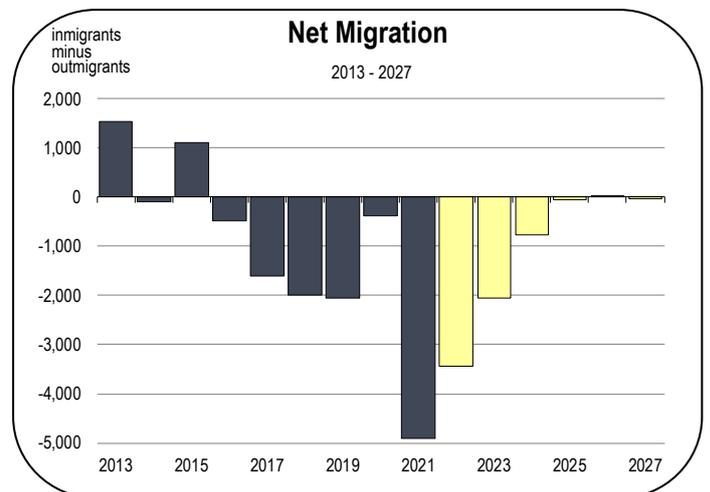
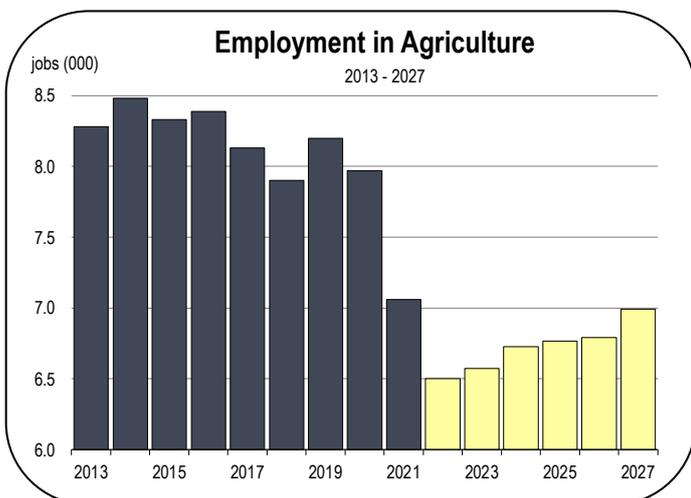
- Farm product value is expected to rise in 2022 due to higher prices for most agricultural commodities. Adjusted for inflation, the forecast for farm product values conservatively suggests constant growth over the forecast, in view of the outlook for U.S. Farm producer prices.

Agriculture Employment

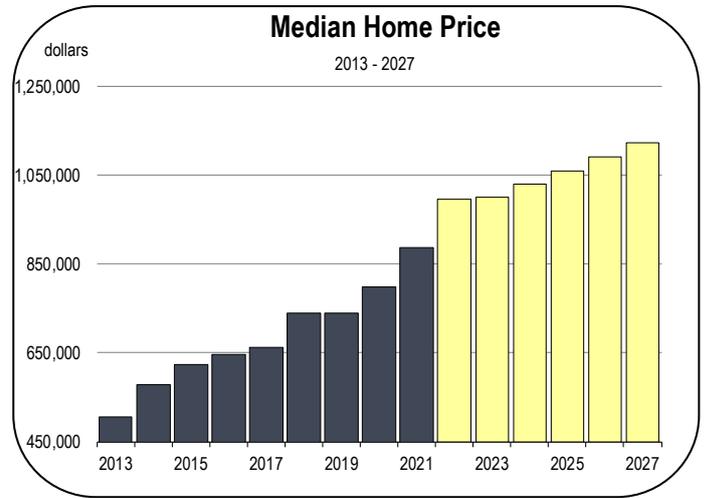
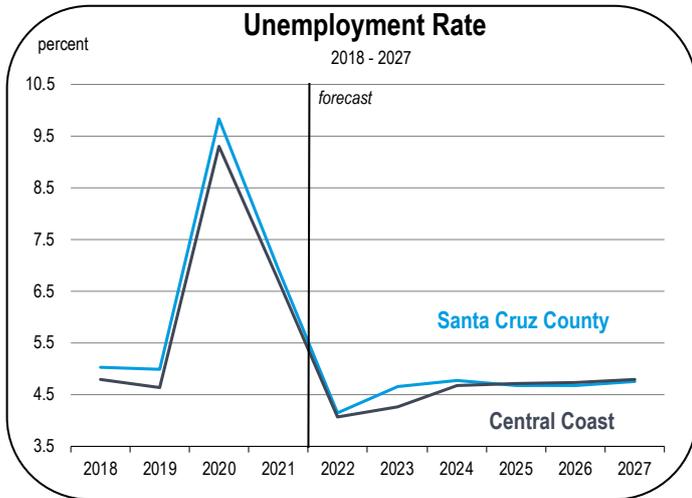
- The value of agriculture rose 3.4 percent in 2021 to \$657 million. The principal crop in the county is berries, and particularly, strawberries. The berry crop totaled \$391 million in total sales value. A distant second was nursery crops, and then row crop vegetables.
- The farming sector employs 6,500 workers. The size of the workforce has not been restored to pre-pandemic levels because of worker supply, which remains limited due to the especially tight labor market in California.

Population Growth

- The Santa Cruz County population is expected to remain in decline through 2027.
- Population which has been in decline since 2017 due entirely to net out-migration, a trend indicative of most coastal counties in California.
- The Department of Finance estimated that a net 6,000 residents moved away from the county between July 2019 and July 2021. The forecast assumes that net out-migration will continue in 2022 and through 2024, leveling off thereafter.



Santa Cruz County Economic Forecast



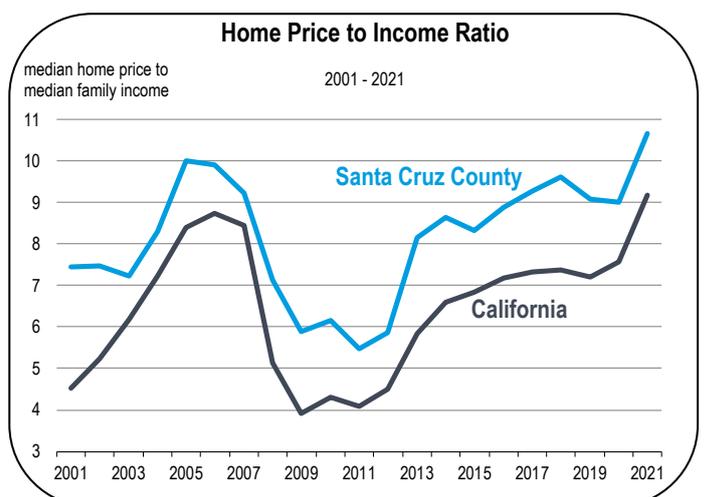
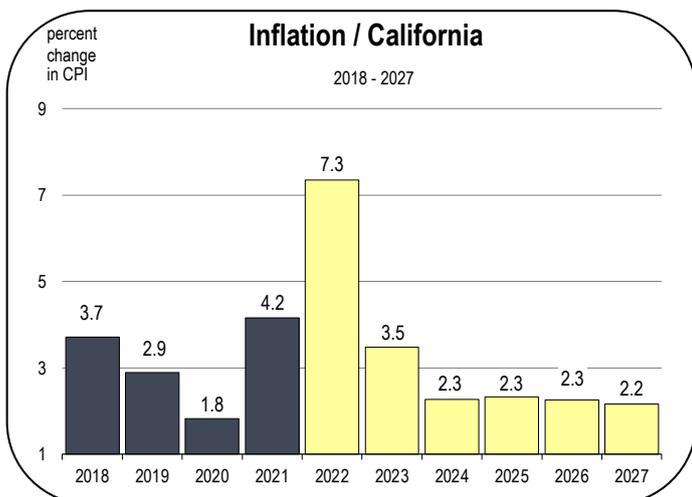
Unemployment and Inflation Rates

- The unemployment rate in Santa Cruz County averaged 6.9 percent in 2021. It is forecast to average 4.3 percent in 2022 and 4.7 percent in 2023.
- An unemployment rate below 6.0 percent signifies a fully employed workforce in Santa Cruz County. Consequently, a full employment environment is likely to add pressure on wages and salaries in 2023 and 2024, despite the expected slowdown in economic activity in California.
- Inflation soared in 2021 and is expected to remain elevated in 2022 and 2023.
- During 2022 and into 2023, there will be a number of factors that will contribute to higher-than-normal inflation. The most prominent will be:
 - Spending by consumers and the federal government that was especially prolific in 2021 and 2022
 - Global supply chain interruptions (from the pandemic) that have raised the cost of production for many businesses

- Sharp increases in the cost of housing and energy
- Labor market recruitment challenges that have led to surging wage increases
- Combined, these factors have pushed 2022 inflation to its highest rate in 40 years. Ultimately, inflation reduces the purchasing power of households and negatively impacts consumer confidence, limiting the growth potential of the economy in 2022 and 2023.
- However, inflation will gradually decelerate in 2023 as supply chains are restored, and the impending economic slowdown moderates the demand for labor and wage increases. Average inflation rates eventually decline to 3 percent again by 2024.

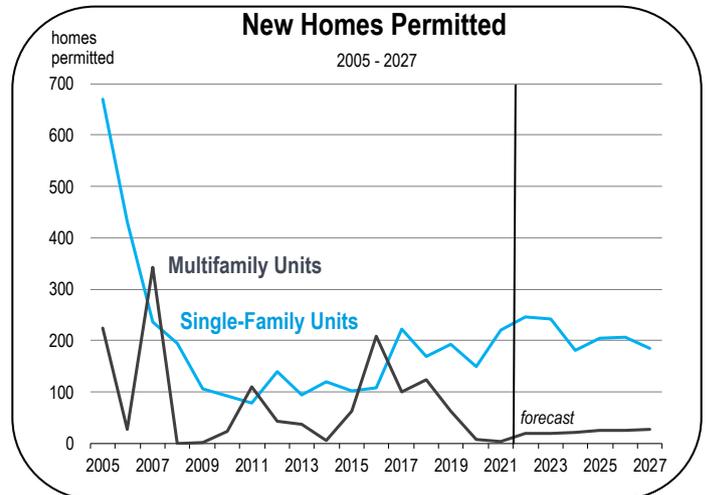
Home Prices and New Housing Production

- The median value of all homes sold in the County during 2021 was \$888,000. For single family detached homes, the median sales value was \$1,186,200, a 22 percent increase over the median selling value in 2020.
- For the first 11 months of 2022, the median selling value of single family detached homes was \$1,332,000. Sales, however, were off 32 percent from the 2021 pace.



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- The forecast has values rising about 10 percent in 2022 and less than 2 percent in 2023.
- A typical household in Santa Cruz County has to spend more than 40 percent of its pre-tax income on mortgage payments in order to afford the median-priced home, limiting the ability to purchase a home for the majority of county residents.
- Across California, the typical household must spend approximately 30 percent of its income on mortgage payments for the median priced home.
- From 2016 to 2021, an average of 260 new homes were started per year in Santa Cruz County. Approximately two thirds were single-family homes.
- Housing production is expected to average 235 homes per year from 2022 to 2027, with single family detached product representing nearly 90 percent of all units started.
- The City of Santa Cruz has plans in its pipeline to redevelop its library and build affordable housing. The Downtown Library and Affordable Housing Project will include a new library, 124 low-income housing, and a parking structure.



- The project will demolish the existing City surface parking lot and total 307,968 square feet. The library will be two stories and approximately 38,000 square feet. The parking garage will hold up to 340 parking spaces.
- The Capitola Mall Redevelopment Project is another huge and long-range project in Santa Cruz County. Located in Capitola, the Capitola Mall is nearly 50 years old. In 2019, the Capitola City Council reviewed a concept of the redevelopment of the mall that involved creating 637 residential units. The plan also called for commercial space and a theater.



Housing construction will consist mainly of single-family units, but a handful of multifamily projects have been proposed, including this project at 130 Center St. that would include 233 studio apartments and 2,600 square feet of commercial space.

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- The timeline for this project is unknown as the developers, The Merlone Geier Partners, haven't submitted a project or applications for redevelopment since 2019. However, Capitola city staff say they are in active communication with the mall.

Santa Cruz City Pipeline

- Dream Inn Parking Lot (89 residential units)
- Pacific Front Laurel (205 market-rate residential units)
- Pacific Station Housing Project (179 affordable units)
- Senior housing at former Gateway School (76 residential units)
- 324 Front St. Hotel (228 rooms)
- 119 Coral St. Supportive Housing Project (120 studio units)
- Felker St. Apartments (33 apartment units)
- Ocean Place Condos (390 condos and ground-floor shops)



Two pictures of the Santa Cruz Downtown Library and Affordable Housing Project

Santa Cruz County Economic Forecast

Economic Indicators

2015-2021 History, 2022-2050 Forecast

	Population (people)	House- holds (thousands)	Net Migration (people)	New Homes Permitted (homes)	Registered Vehicles (thousands)	Personal Income (billions)	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Real Industrial Production (billions)	Real per Capita Income (dollars)	Unemployment Rate (percent)	Real Farm Production (millions)	Inflation Rate (percent)
2015	274,762	96.1	1,109	164	257	\$16.2	\$2.7	\$3.6	\$1.4	\$70,506	7.5	\$746	1.4
2016	275,452	96.7	-479	318	264	\$16.7	\$2.7	\$3.6	\$1.5	\$70,773	7.0	\$743	2.3
2017	274,739	97.0	-1,594	322	262	\$17.8	\$2.8	\$3.8	\$1.6	\$73,297	5.8	\$658	3.0
2018	273,527	97.2	-1,982	294	263	\$18.7	\$2.9	\$3.9	\$1.8	\$74,598	5.0	\$745	3.7
2019	272,182	97.7	-2,050	256	267	\$19.6	\$2.9	\$4.0	\$1.7	\$76,220	5.0	\$663	2.9
2020	272,360	97.8	-381	157	261	\$20.5	\$2.9	\$3.9	\$1.9	\$78,409	9.8	\$662	1.8
2021	267,551	97.7	-4,900	224	263	\$21.2	\$3.4	\$4.6	\$2.0	\$79,305	6.9	\$657	4.2
2022	264,588	97.9	-3,444	265	262	\$22.7	\$4.0	\$5.3	\$2.0	\$79,927	4.3	\$693	7.3
2023	262,913	98.2	-2,050	262	261	\$23.8	\$4.0	\$5.5	\$2.0	\$81,430	4.7	\$697	3.5
2024	262,413	98.4	-768	204	260	\$24.6	\$4.1	\$5.5	\$2.0	\$82,670	4.8	\$700	2.3
2025	262,505	98.6	-60	230	259	\$25.5	\$4.1	\$5.6	\$2.0	\$83,573	4.7	\$697	2.3
2026	262,585	98.9	28	233	259	\$26.5	\$4.2	\$5.7	\$2.1	\$84,752	4.7	\$692	2.3
2027	262,489	99.1	-41	211	258	\$27.4	\$4.2	\$5.7	\$2.0	\$86,024	4.8	\$698	2.2
2028	262,180	99.3	-156	228	259	\$28.3	\$4.3	\$5.8	\$2.1	\$87,116	4.8	\$701	2.2
2029	261,704	99.5	-224	215	259	\$29.3	\$4.4	\$5.9	\$2.1	\$88,170	4.8	\$703	2.3
2030	261,084	99.7	-285	228	259	\$30.2	\$4.5	\$6.1	\$2.1	\$89,164	4.9	\$709	2.2
2031	260,345	100.0	-292	222	260	\$31.1	\$4.6	\$6.2	\$2.1	\$90,144	4.9	\$711	2.1
2032	259,502	100.2	-301	211	262	\$32.0	\$4.7	\$6.4	\$2.1	\$90,885	4.9	\$717	2.3
2033	258,603	100.4	-263	212	263	\$32.9	\$4.8	\$6.5	\$2.1	\$91,993	4.9	\$724	1.9
2034	257,697	100.6	-187	216	264	\$33.8	\$4.9	\$6.7	\$2.1	\$92,970	4.9	\$729	2.1
2035	256,823	100.8	-84	225	265	\$34.7	\$5.1	\$6.8	\$2.1	\$93,830	4.9	\$725	2.2
2036	255,932	101.1	-48	224	266	\$35.7	\$5.2	\$7.1	\$2.1	\$94,414	4.9	\$728	2.6
2037	255,022	101.3	-21	223	268	\$36.8	\$5.4	\$7.3	\$2.0	\$94,937	4.9	\$731	2.7
2038	254,048	101.5	-59	214	269	\$37.8	\$5.6	\$7.5	\$2.0	\$95,640	4.9	\$735	2.5
2039	253,043	101.7	-68	208	271	\$38.9	\$5.7	\$7.7	\$2.0	\$96,201	4.9	\$738	2.7
2040	251,969	101.9	-108	199	272	\$40.0	\$5.9	\$7.9	\$2.0	\$96,776	4.9	\$741	2.6
2041	250,855	102.1	-127	192	273	\$41.0	\$6.0	\$8.1	\$2.0	\$97,610	4.9	\$744	2.2
2042	249,744	102.3	-122	188	274	\$42.1	\$6.1	\$8.3	\$2.0	\$98,471	4.9	\$742	2.1
2043	248,585	102.5	-175	176	275	\$43.1	\$6.3	\$8.5	\$2.0	\$99,405	4.9	\$744	2.0
2044	247,351	102.7	-244	163	275	\$44.2	\$6.4	\$8.6	\$2.0	\$100,489	4.9	\$746	1.8
2045	246,097	102.9	-273	155	275	\$45.2	\$6.5	\$8.8	\$2.1	\$101,479	4.9	\$747	1.9
2046	244,908	103.0	-229	156	275	\$46.3	\$6.7	\$9.0	\$2.1	\$102,325	4.9	\$749	2.0
2047	243,751	103.2	-204	154	275	\$47.4	\$6.8	\$9.2	\$2.0	\$102,961	4.9	\$751	2.2
2048	242,624	103.3	-196	151	275	\$48.5	\$7.0	\$9.4	\$2.0	\$103,503	4.9	\$755	2.3
2049	241,515	103.5	-185	148	275	\$49.6	\$7.2	\$9.7	\$2.0	\$104,245	4.9	\$756	2.0
2050	240,419	103.6	-176	144	275	\$50.7	\$7.3	\$9.9	\$2.0	\$104,910	4.9	\$757	2.1

Employment Sectors

2015-2021 History, 2022-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	(thousands of jobs)											
2015	106.7	8.3	3.7	6.2	1.5	15.5	3.5	10.3	0.8	17.3	13.6	21.4
2016	108.9	8.4	4.4	6.6	1.5	15.8	3.6	10.3	0.8	17.3	13.9	21.7
2017	110.3	8.1	4.5	6.6	1.6	15.6	3.6	10.6	0.8	17.9	14.2	21.9
2018	110.4	7.9	4.4	6.9	1.6	15.2	3.6	10.7	0.7	17.8	14.5	22.0
2019	111.9	8.2	4.5	7.1	1.7	15.1	3.4	10.9	0.6	18.0	14.8	22.4
2020	101.9	8.0	4.4	6.8	1.7	14.0	3.2	10.4	0.6	17.1	10.3	21.1
2021	104.3	7.1	4.7	7.4	2.0	14.4	3.2	10.6	0.6	17.2	11.8	21.0
2022	107.9	6.5	5.0	7.6	2.0	14.5	3.3	10.8	0.6	17.5	12.9	22.5
2023	109.9	6.6	4.8	7.8	2.1	13.9	3.3	10.9	0.6	18.1	13.8	22.8
2024	111.7	6.7	4.7	7.8	2.1	13.7	3.3	11.1	0.6	18.5	14.7	23.0
2025	112.6	6.8	4.7	7.7	2.1	13.6	3.4	11.2	0.5	18.8	15.1	23.3
2026	113.4	6.8	4.7	7.7	2.2	13.6	3.4	11.2	0.5	19.0	15.5	23.4
2027	113.8	7.0	4.7	7.6	2.2	13.5	3.4	11.2	0.5	19.1	15.6	23.4
2028	114.1	7.1	4.6	7.5	2.2	13.5	3.4	11.2	0.5	19.3	15.8	23.4
2029	114.7	7.3	4.6	7.4	2.2	13.6	3.4	11.2	0.5	19.5	16.0	23.4
2030	115.2	7.4	4.6	7.4	2.2	13.8	3.4	11.2	0.5	19.7	16.1	23.3
2031	115.5	7.5	4.6	7.3	2.3	13.8	3.4	11.1	0.5	19.9	16.2	23.3
2032	115.9	7.6	4.6	7.3	2.3	13.8	3.4	11.1	0.5	20.0	16.3	23.3
2033	116.3	7.7	4.6	7.2	2.3	13.9	3.4	11.1	0.5	20.2	16.4	23.4
2034	116.6	7.8	4.6	7.2	2.3	13.9	3.4	11.1	0.5	20.3	16.5	23.4
2035	116.9	7.8	4.6	7.2	2.3	13.9	3.4	11.1	0.5	20.5	16.6	23.4
2036	117.2	7.8	4.6	7.1	2.3	14.0	3.4	11.1	0.5	20.7	16.7	23.3
2037	117.5	7.9	4.6	7.1	2.3	14.0	3.4	11.1	0.5	20.8	16.8	23.3
2038	117.8	7.9	4.6	7.1	2.3	14.1	3.4	11.1	0.5	21.0	16.9	23.3
2039	118.1	8.0	4.6	7.1	2.3	14.1	3.4	11.1	0.5	21.1	17.0	23.2
2040	118.3	8.1	4.6	7.1	2.3	14.1	3.4	11.1	0.5	21.2	17.1	23.1
2041	118.5	8.1	4.5	7.0	2.3	14.1	3.4	11.1	0.5	21.4	17.2	23.1
2042	118.7	8.1	4.5	7.0	2.3	14.1	3.4	11.1	0.5	21.5	17.3	23.1
2043	119.0	8.1	4.5	7.0	2.3	14.1	3.4	11.1	0.5	21.6	17.4	23.1
2044	119.2	8.2	4.5	7.0	2.3	14.1	3.4	11.1	0.5	21.8	17.5	23.1
2045	119.5	8.2	4.5	7.0	2.3	14.2	3.4	11.1	0.5	21.9	17.7	23.0
2046	119.8	8.2	4.5	7.0	2.3	14.2	3.4	11.1	0.5	22.0	17.8	23.0
2047	120.0	8.3	4.5	7.0	2.3	14.2	3.4	11.1	0.5	22.1	17.9	23.0
2048	120.3	8.3	4.5	7.0	2.3	14.2	3.4	11.1	0.5	22.3	18.0	22.9
2049	120.5	8.4	4.5	6.9	2.3	14.3	3.4	11.1	0.5	22.4	18.1	22.9
2050	120.8	8.4	4.5	6.9	2.3	14.3	3.4	11.1	0.5	22.5	18.1	22.9

Santa Cruz County Economic Forecast

Socioeconomic Indicators

